DEHRING BUNTING & GOLDING LIMITED 1997

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1997

1. The Company

The company is incorporated in Jamaica and these financial statements are presented in Jamaican dollars. The principal activity of the company is the provision of corporate finance and investment and advisory services, in accordance with a licence issued by the Securities Commission, including the making of investments and the management of funds on a non-recourse basis (note 23).

By agreement, dated September 13, 1996, the company agreed to acquire the total operations of Billy Craig Finance and Merchant Bank Limited and Billy Craig Investments Limited, subject to certain conditions. At December 31, 1997, the conditions precedent having not been met, the company had then entered in an agreement with Financial Sector Adjustment Company Limited (FINSAC) to recapitalize the two investee companies which were to be jointly owned by FINSAC and the company. However, the formal agreement between FINSAC, the investee companies and the company has not yet been signed.

The principal activities of its wholly-owned subsidiaries are detailed in note 28.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation:

The group financial statements include the financial statements of the wholly-owned subsidiaries for the year ended December 31, 1997. The associated company is accounted for on the cost basis for the company and on the equity basis for the group (note 8).

All significant inter-company transactions are eliminated.

The company and its subsidiaries are collectively referred to as the "group".

(c) Depreciation:

Fixed assets are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Leasehold improvements	2 1/2%
Motor vehicles	20%
Furniture and equipment	10%
Computers	20%

(d) Investments:

Investments (excluding bonds) which are held on a short-term basis, are stated at the lower of cost and market value. Bonds, which were purchased at discounts, are stated at cost, plus amortised discount. Other investments are shown at cost.

(e) Bond discounts:

Bond discount income is amortised on the straight-line basis over the period of the bond.

(f) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

(g) Allowance for loan losses:

The allowance for loan losses is maintained at a level considered adequate to provide for probable loan losses. The provision is increased by amounts charged to earnings and reduced by net charge-offs. The level of allowance is based on management's evaluation of probable losses in the loan portfolio, as well as prevailing and anticipated business and economic conditions and the net realizable value of securities held.

(h) Pension scheme costs:

The company participates in a pension scheme (note 25) the assets of which are held separately from those of the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account when due.

(i) Revenue, and expense recognition:

Income from foreign exchange cambio trading is recorded on a trade-date basis. Other income and expenses are recorded as earned.

3. Loans and other receivables

	Company		Group	
	1997	1996	1997	1996
Loans receivable (note below)	466,245	318,970	576,634	318,941
Less provision for doubtful debt	(39,321)	(11,692)	(39,321)	(11,692)
	426,924	307,278	537,313	307,249
Other receivables:				
Directors' current accounts	-	48	-	48
Interest	108,490	34,178	115,601	34,178
Sundry	4,173	4,102	4,367	4,402
	112,663	38,328	119,968	38,628
	$539,587	**345,606**	**657,281**	**345,877**

Loans receivable include: (a) Amounts due from directors and companies controlled by directors amounting to $5,000,000 (1996: $1,326,400) for the company and $5,000,000 (1996: $660,070) for the group.

(b) Certain loans are pledged as security under repurchase certificates [note 11(ii)].

4. Securities purchased under resale agreements, and securities sold under repurchase agreements

The company acquires funds from and makes funds available to institutions by entering into very short-term agreements with these institutions. For securities purchased under resale agreements, the company, on delivering the funds, receives the securities and agrees to resell them on a specified date and at a specified price. For securities sold under agreements to repurchase, the company, on receipt of the funds, delivers the securities and agrees to repurchase them on a specified date and at a specified price.

The interest income and expense accruing on these transactions up to December 31, 1997 are included in these financial statements.

Capital management fund

The capital management fund represents investments of contributions from third party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the investments.

6. Investments

	Company		Group	
	1997 ('000)	1996 ('000)	1997 ('000)	1996 ('000)
Local registered stocks				
- maturing 1998 and 2003 (1996:1997 and 1998)	566,660	46,835	566,660	46,835
Managed funds	252	252	252	252
Quoted, at cost	15,988	392	15,988	392
Certificates of Deposit - maturing 1998	14	3,504	14	3,504
	582,914	50,983	582,914	50,983
Bonds, face value - maturing 1998 to 2000 (1996: 1997 to 2000)	66,078	68,812	66,078	69,031
Less: Unamortised discount	(434)	(885)	(434)	(885)
Carrying value	65,644	67,927	65,644	68,146
	$648,558	**118,910**	**648,558**	**119,129**

The market value of quoted investments amounted to $14,589,000 (1996: $296,000).

7. Deferred expenses

Deferred expenses for the group represent incorporation expenses of a subsidiary which are being amortised over a period of three years from November 1995.

8. Interest in associated company

	Company		Group	
	1997 ('000)	1996 ('000)	1997 ('000)	1996 ('000)
Shares, at cost	74,337	38,337	74,337	38,337
Post-acquisition reserves	-	-	(726)	(726)
Carrying value at end of year	74,337	38,337	73,611	37,611
Loans - US$ 10%(1996: 18.75%)	25,238	2,662	25,238	2,662
- J$ 45% (1996: 45%)	20,209	17,445	20,209	17,445
Interest receivable	11,485	8,998	11,485	8,998
	$131,269	**67,442**	**130,543**	**66,716**

The company holds 49% of the equity capital of Runaway Day Developments Limited which is incorporated in Jamaica

The loans are secured by a mortgage on the associated company's real estate, and interest and principal are repayabie on demand.

9. Interest in subsidiaries

	1997 ('000)	1996 ('000)
Shares, at cost (note 28)	100,001	100,001
Current accounts	64	409
	$100,065	100,410

10. Fixed assets

Company

Leasehold	Motor	Furniture, equipment and

	improvements ('000)	vehicles ('000)	computers ('000)	Total ('000)
At cost:				
December 31, 1996	1,656	6,694	25,017	33,367
Additions	14	182	1,625	1,821
Disposals	-	(3,545)	-	(3,545)
December 31, 1997	1,670	3,331	26,642	31,643
Depreciation:				
December 31, 1996	45	2,307	9,939	12,291
Charge for the year	96	922	4,156	5,174
Eliminated on disposals	-	(1,443)	-	1,443
December 31, 1997	141	1,786	14,095	16,022
Net book values:				
December 31, 1997	**$1,529**	**1,545**	**12,547**	**15,621**
December 31, 1996	**$1,611**	**4,387**	**15,078**	**21,076**

Group

	Leasehold improvements ('000)	Motor vehicles ('000)	Fumiture, equipment and computers ('000)	Total ('000)
At cost:				
December 31, 1996	1,656	6,694	25,017	33,367
Additions	14	2,476	1,625	4,115
Disposals	-	(3,545)	-	(3,545)
December 31, 1997	1,670	5,625	26,642	33,937
Depreciation:				
December 31, 1996				
Charge for the year	45	2,307	9,939	12,291
Eliminated on disposals	96	1,113	4,156	5,365
December 31, 1997	-	(1,443)	-	(1,443)

	141	1,977	14,095	16,213
Net book values:				
December 31, 1997	**$1,529**	**3,648**	**12,547**	**17,724**
December 31 1996	**$1,611**	**4,387**	**15,078**	**21,076**

Motor vehicles, at cost, include $747,000 (1996: $4,169,000) in respect of vehicles held under finance leases.

11. Loans and promissory notes

	Company and Group	
	1997 ('000)	1996 ('000)
8% - 17% (1996: 8% - 17%) United States dollar promissory notes [note (i)]	306,596	231,477
27% -31% (1996: 27% - 31%) Jamaican dollar promissory notes [note (i)]	166,514	290,263
Repurchase certificates [note (ii)]	110,000	-
	583,110	521,740
Obligation under finance lease [note (iii)	706	1,986
Less finance charge allocated to future periods	(10)	(314)
	696	1,672
	$583,806	**523,412**

(i) Promissory notes are repayable in 1998 and include $12,074,040 (1996: $54,015,000) payable to other financial institutions

(ii) The repurchase certificates bear interest at the rate of 19.75% (1996: 45%) per annum and payable to other financial institutions.

(iii) The obligation under finance lease bears interest at the rate of 17% (1996: 17%) and is repayable in equal quarterly instalments of $206,000 (1996: $167,000), the final instalment being due in May 1998.

12. Capital management fund obligations

The company's obligation to clients is based on the allocated share of the accumulated net value of the capital management fund (see note 5).

13. Due to subsidiary

This comprised an interest-free advance which was settled during the year.

14. Share capital

	1997 ('000)	1996 ('000)
Authorised:		
250,000,000 (1996:162,500,000) ordinary shares of $0.10 each	**$25,000**	**16,250**
Issued and fully paid:		
112,500,000 stock units	**$11,250**	**11,250**

15. Reserves

	Company		Group	
	1997 ('000)	1996 ('000)	1997 ('000)	1996 ('000)
Capital:				
Realised	29,115	29,115	29,115	29,115
Revenue:				

Retained profits	31,897	14,136	50,252	27,765
	$61,012	**43,251**	**79,367**	**56,880**

16. Gross operating income

Gross operating income consists of interest earned, income from investments and foreign exchange cambio trading, commitment, consultancy and other fees, and is stated exclusive of general consumption tax.

17. Disclosure of expenses/(income)

Group operating profit is stated after charging/(crediting):

		1997 $ ('000)	1996 $ ('000)
Depreciation	- leased assets	412	764
	- other assets	4,953	5,023
Interest	- loans and promissory notes	267,075	177,220
	- overdraft	1,399	1,912
	- finance lease	262	289
Directors' emoluments	- fees	120	94
	- management remuneration	3,637	4,273
Auditors' remuneration	- current year	1,163	824
	- previous year	-	65
Deferred expenses		24	24
Bad debts		28,534	6,000
Interest income		**(364,170)**	**(214,942)**

18. Taxation

The charge for income tax is calculated at 33 1/3% of the profit for the year, adjusted for tax purposes, and is made up as follows:

	1997 ('000)	1996 ('000)
Current year	(7,110)	(49)*
Adjustment in respect of previous years	-	130
	$(7,110)	**81**

19. Net profit attributable to members

Dealt with in the financial statements of the company, $17,761,000 (1996: $311,000*).

20. Prior year adjustment

Prior year adjustment represents the net effects on taxation charges and retained earnings arising from a change in the accounting treatment of certain income in prior years. The comparative figures have been restated accordingly.

21. Retained profits

Retained in the financial statements of:

	1997 ('000)	1996 ('000)
The company	31,897	141,136*
Subsidiaries	19,081	14,355
Associated company	(726)	(726)
	$50,252	**27,765**

22. Earnings per stock unit

The calculation of earnings per stock unit is based on the net profit of $22,487,000 (1996: $7,358,000) and 112,500,000 stock units in issue.

In the previous year, the calculation was based on the weighted average number of 79,726,000 stock units in issue during that year.

23. Managed funds

The company and a subsidiary manage funds, on a non-recourse basis, on behalf of investors. There is no legal or equitable right or interest in these funds and, accordingly, they have been excluded from these financial statements.

At December 31, 1997, these funds aggregated $531,818,000 (1996: $1,240,371,000) for the company and $532,577,000 (1996: $1,241,289,000) for the group.

24. Related party transactions

The group profit and loss account includes the following income earned from transactions with associated and related companies in the ordinary course of business.

	1997 $ ('000)	1996 $ ('000)
Interest income on loans:		
- Associated company	**11,486**	**-**
- Related companies	**56**	**172**

A related party is one which controls or exercises significant influence over or is controlled or significantly influenced by the company in making financial and operating decisions, or, along with the company, is subject to common control or significant influence.

25. Pension scheme

The company operates a contributory pension scheme for employees who have satisfied certain minimum service requirements.

The scheme, which is a defined contribution plan, is managed by a life insurance company. The contributions for the year amounted to $861,000 (1996: $668,000) for the company and the group.

26. Lease commitments

Commitments for the company and the group under a non-cancellable operating lease expiring in 1998 amounted to $1,102,000 at December 31, 1997 (1996: $5,271,000). The lease rentals payable within twelve months of the balance sheet date amount to $1,102,000 (1996: $4,170,000) for the company and the group.

27. Contingent liabilities

At December 31, 1997, outstanding guarantees in favour of customers amounted to $42,356,000 (1996: $30,595,000) for the company and the group.

28. Subsidiaries

The subsidiaries are as follows:

	Country of incorporation	% of equity capital held	Principal activities
Asset Management Company Limited	Jamaica	100%	Management of funds on non-recourse basis

Interlink Investments Limited	Grand Cayman	100%	Holding of investments

The shares in Interlink Investments Limited may be redeemed by that company at any time at its option, en bloc or individually, by repayment of the capital sum subscribed in respect of such shares, in the currency in which such subscription was paid.